



Dudack Research Group

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February 2, 2022

DJIA: 35405.24

SPX: 4546.54

NASDAQ: 14346.00

US Strategy Weekly

Fed, Russia, Oil, Inflation

Last week's FOMC meeting resulted in no major surprises, in our view. The Fed used its January meeting to prepare the global financial markets for quantitative easing that would end by March and for its balance sheet to probably shrink later in 2022. But most importantly, Chairman Jerome Powell was quite clear in his statements that interest rates would begin to rise in March and likely do so for most of the year.

In the wake of this meeting, pundits began to speculate about the number of rate increases investors should expect in 2022. In our opinion, these guesstimates are not useful because we agree with the Fed's comment that tightening policy going forward will be data dependent. Yet, since the Fed is behind the curve, we would not be surprised if the first fed funds rate hike is 50 basis points. This double-hike would help jumpstart the Fed's inflation-fighting cycle. It might startle the markets, but it will also dampen the expectations of inflation that has become embedded in the economy.

Unfortunately, we would not be surprised if the Fed's tightening strategy becomes more complicated later in the year with a combination of inflation that remains stubbornly high, coupled with an economy that shows signs of deceleration. We have often discussed the problems that inflation poses to equities -- rising interest rates, multiple compression, profit margin weakness -- another risk is that it weakens broad-based consumption. For 2022, we are recommending sectors that are relatively insulated from these risks, such as energy, financials, and staples. Part of this reason is that as the cost of necessities such as heating fuel, gasoline, and food continue to rise, consumers will have less and less money to spend on luxuries such as vacations, new clothes, and entertainment. The net result will be declining revenues for a variety of companies. We expect to hear debates about stagflation in the coming months, but there is no reason to expect this to materialize in 2022. The actual definition of stagflation is an economy characterized by rising inflation and rising unemployment. This was last seen in the 1970s during the oil embargo. We do not see unemployment rising; we simply see a challenging time ahead for corporate earnings.

There are some similarities between the 1970s and the current situation, but they are curable. Instead of an oil embargo that created an energy crisis in the 1970s, The Paris Agreement on global climate change signed in 2021, triggered a sharp rise in fossil fuel regulation and a subsequent decline in energy supply. In short, the current situation is different because it is self-imposed, but we are not sure if this matters. The decline in the supply of fossil fuels is a bigger driver of global inflation than supply disruptions, in our judgment. Yet we doubt this will change the minds of our global leaders.

Furthermore, the price of oil is exacerbated by geopolitics and the fear that Russia is planning to invade Ukraine. As a result, the WTI crude oil future, at \$88.36 a barrel currently, is up 17.5% since the end of 2021 and up 44% YOY. See page 10. It should also be noted that Russia is a major beneficiary of the rise in oil prices.

This means inflation will be very difficult to control, at least in the first half of this year, and the Fed has a challenging task ahead of it.

THE GOOD NEWS

January closed the month with declines of 3.3%, 5.3%, 9.0%, and 9.7%, in the Dow Jones Industrials, S&P 500, Nasdaq Composite, and Russell 2000 index, respectively. Moreover, the Nasdaq Composite has experienced an 11.3% decline from its all-time high and the Russell 2000 has dropped 17% from its record high. In short, the broad market is clearly in a correction. We expect the large cap stocks will be the last to fall at the end of the decline; but in the near term, a bounce is likely.

We show the results of the *January Barometer* for the Dow Jones Industrials on page 3 and for the S&P 500 on page 4. We have faith in this Wall Street adage that states “As goes January, so goes the year” because we believe the liquidity available to the equity market tends to be at its best in January. However, we must admit that the barometer has a far better track record when January posts a gain than when it posts a loss. A January gain in the Dow Jones Industrials has been followed by a full year gain 89% of the time. In the S&P 500, a January gain has produced an annual gain 88% of the time. But declines in January are much less predictive. In the Dow Jones Industrials, a loss in the first month of the year is followed by an annual loss 54% of the time and in the S&P 500, 47% of the time. In sum, one should not be bearish based upon the January Barometer.

It is also good news that the stock market has not displayed the characteristics of a classic bubble top. The key to a true bubble is leverage and most importantly, an escalation in leverage. While margin debt has grown markedly in the last 24 months, it has not grown at the pace seen at most major tops. See page 5. The 2-month rate of change in margin debt grew more than 15% in December 2020, as we reported at that time, but margin debt actually contracted in November and December of last year. This is positive since it limits the leverage, and risk of margin calls in the current environment.

ECONOMIC RELEASES

In our view, subtle signs of decelerating economic growth are already appearing. For the third consecutive month, January’s ISM manufacturing index fell, declining from 58.8 in December to 57.6. However, it does remain comfortably above the neutral 50 level. Vehicle sales fell more than 4% in December to an annualized rate of 12.45 million and are down a disturbing 32% from the April 2021 pace of 18.78 million units. See page 6. January’s consumer sentiment indices were glum with the Conference Board Confidence index slipping from 115.2 to 113.8 and the University of Michigan headline reading falling from 70.6 to 68.8. The only uptick in sentiment was found in the Conference Board’s present conditions index which moved up from 144.8 to 148.2. See page 7. New home sales came in stronger than expected in December, increasing nearly 12% to 811,000 units. However, this rebound followed a sharp decline in new single-family home sales in 2021. Existing home sales were more resilient than new home sales last year, but there are signs in both data series that prices are rolling over. See page 8. This should not be a surprise given the recent gains in home prices and the fact that interest rates will be moving higher.

Technical Review

There were not a lot of changes in the technical indicators this week, but the 10-day average of daily new highs fell to 54 which is notable. Daily new lows rose to a 10-day average of 505. This indicator is now clearly negative, after tilting negative for several weeks. The NYSE cumulative advance/decline line’s last record high was on November 8, 2021, and it is trading well below this level currently. Volume has not been rising on declines, which is a worrisome trend. On the plus side, AAI bearish sentiment rose 6.2 points to 52.9%, this week and is above the historical average of 30.5% for the tenth consecutive week. This was the highest reading since April 2013. As a result, the AAI bull/bear spread index is positive for the second consecutive week. Note, AAI never displayed the extreme bullishness that is typical of a major, or bubble, peak. This is a good sign for the longer term.

DJIA Ups - January

	1st Five Days % Performance	January % Performance	Year % Performance
1976	6.5%	14.4%	17.9%
1975	3.1%	14.2%	38.3%
1987	5.6%	13.8%	2.3%
1967	3.5%	8.2%	15.2%
1989	1.4%	8.0%	27.0%
2019	2.0%	7.2%	22.3%
1985	-1.6%	6.2%	27.7%
1994	1.8%	6.0%	2.1%
2018	2.3%	5.8%	-5.6%
2013	1.7%	5.8%	26.5%
1951	2.2%	5.7%	14.4%
1997	1.6%	5.7%	22.6%
1996	1.6%	5.4%	26.0%
1961	1.4%	5.2%	18.7%
1963	2.7%	4.7%	17.0%
1980	1.5%	4.4%	14.9%
1979	2.9%	4.2%	4.2%
1954	0.2%	4.1%	44.0%
1991	-4.7%	3.9%	20.3%
1971	-0.2%	3.5%	6.1%
2012	1.4%	3.4%	7.3%
1958	2.5%	3.3%	34.0%
1965	1.0%	3.3%	10.9%
1964	1.5%	2.9%	14.6%
1983	2.8%	2.8%	20.3%
2011	0.8%	2.7%	5.5%
1999	5.0%	1.9%	25.2%
1959	0.8%	1.8%	16.4%
1992	1.1%	1.7%	4.2%
1986	-1.3%	1.6%	22.6%
1966	1.7%	1.5%	-18.9%
2006	2.7%	1.4%	16.3%
1972	2.3%	1.3%	14.6%
2007	-0.4%	1.3%	6.4%
1955	-2.2%	1.1%	20.8%
2017	0.6%	1.1%	25.1%
1988	-1.4%	1.0%	11.8%
2001	-1.5%	0.9%	-7.1%
1950	0.9%	0.8%	17.6%
1974	1.3%	0.6%	-27.6%
1952	0.4%	0.5%	8.4%
2004	1.3%	0.3%	3.1%
1993	-1.5%	0.3%	13.7%
1995	0.7%	0.2%	33.5%
1969	-2.4%	0.2%	-15.2%
Up	35	45	40
Average	1.2%	3.9%	13.9%
Min	-4.7%	0.2%	-27.6%
Max	6.5%	14.4%	44.0%

Election years are bolded above; pre-election years are highlighted in blue

DJIA Declines - January

	1st Five Days % Performance	January % Performance	Year % Performance
1998	-1.3%	-0.022%	16.1%
1982	-1.0%	-0.4%	19.6%
1953	-0.5%	-0.7%	-3.8%
2020	0.7%	-1.0%	7.2%
2002	1.3%	-1.0%	-16.8%
1981	0.2%	-1.7%	-9.2%
2021	1.6%	-2.0%	18.7%
1973	2.7%	-2.1%	-16.6%
2005	-1.7%	-2.7%	-0.6%
1984	2.2%	-3.0%	-3.7%
2022	-0.3%	-3.3%	
2003	3.0%	-3.5%	25.3%
2010	1.8%	-3.5%	11.0%
1956	-1.8%	-3.6%	2.3%
2015	0.5%	-3.7%	-2.2%
1957	-1.1%	-4.1%	-12.8%
1962	-3.0%	-4.3%	-10.8%
2008	-5.1%	-4.6%	-33.8%
2000	0.2%	-4.8%	-6.2%
1977	-2.1%	-5.0%	-17.3%
2014	-0.7%	-5.3%	7.5%
1968	0.4%	-5.5%	4.3%
2016	-6.2%	-5.5%	13.4%
1990	1.5%	-5.9%	-4.3%
1970	0.2%	-7.0%	4.8%
1978	-5.6%	-7.4%	-3.1%
1960	-0.5%	-8.4%	-9.3%
2009	-0.4%	-8.8%	18.8%
Down	15	28	15
Average	-0.5%	-3.9%	-0.1%
Min	-6.2%	-8.8%	-33.8%
Max	3.0%	0.0%	25.3%

Source: Stock Trader's Almanac; Refinitiv

73% Early January Gain Predicts the Year's Action

89% January Gain Predicts the Year's Action

29% Early January Loss Predicts the Year's Action

54% January Loss Predicts the Year's Action

SPX Ups - January

	1st Five Days % Performance	January % Performance	Year % Performance
1987	6.2%	13.2%	2.0%
1975	2.2%	12.3%	31.5%
1976	4.9%	11.8%	19.1%
2019	2.7%	7.9%	28.9%
1967	3.1%	7.8%	20.1%
1985	-1.9%	7.4%	26.3%
1989	1.2%	7.1%	27.3%
1961	1.2%	6.3%	23.1%
1997	1.0%	6.1%	31.0%
1951	2.3%	6.1%	16.5%
1980	0.9%	5.8%	25.8%
2018	2.8%	5.6%	-6.2%
1954	0.5%	5.1%	45.0%
2013	2.2%	5.0%	29.6%
1963	2.6%	4.9%	18.9%
2012	1.8%	4.4%	13.4%
1958	2.5%	4.3%	38.1%
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1988	-1.5%	4.0%	12.4%
1979	2.8%	4.0%	12.3%
2001	-1.8%	3.5%	-13.0%
1965	0.7%	3.3%	9.1%
1983	3.2%	3.3%	17.3%
1996	0.4%	3.3%	20.3%
1994	0.7%	3.3%	-1.5%
1964	1.3%	2.7%	13.0%
2006	3.4%	2.5%	13.6%
1995	0.3%	2.4%	34.1%
2011	1.1%	2.3%	-0.003%
2017	1.3%	1.9%	19.4%
1972	1.4%	1.8%	15.6%
1955	-1.8%	1.8%	26.4%
1950	2.0%	1.7%	21.8%
2004	1.8%	1.7%	9.0%
1952	0.6%	1.6%	11.8%
2007	-0.4%	1.4%	3.5%
1998	-1.5%	1.0%	26.7%
1993	-1.5%	0.7%	7.1%
1966	0.8%	0.5%	-13.1%
1959	0.3%	0.4%	8.5%
1986	-1.6%	0.2%	14.6%
Down	34	43	38
Average	1.1%	4.2%	16.6%
Min	-4.6%	0.2%	-13.1%
Max	6.2%	13.2%	45.0%

SPX Declines - January

	1st Five Days % Performance	January % Performance	Year % Performance
2020	0.7%	-0.2%	16.3%
1953	-0.9%	-0.7%	-6.6%
1969	-2.9%	-0.8%	-11.4%
1984	2.4%	-0.9%	1.4%
1974	-1.5%	-1.0%	-29.7%
2021	1.8%	-1.1%	26.9%
2002	1.1%	-1.6%	-23.4%
1973	1.5%	-1.7%	-17.4%
1982	-2.4%	-1.8%	14.8%
1992	0.2%	-2.0%	4.5%
2005	-2.1%	-2.5%	3.0%
2003	3.4%	-2.7%	26.4%
2015	0.2%	-3.1%	-0.7%
2014	-0.6%	-3.6%	11.4%
1956	-2.1%	-3.6%	2.6%
2010	2.7%	-3.7%	12.8%
1962	-3.4%	-3.8%	-11.8%
1957	-0.9%	-4.2%	-14.3%
1968	0.2%	-4.4%	7.7%
1981	-2.0%	-4.6%	-9.7%
1977	-2.3%	-5.1%	-11.5%
2016	-6.0%	-5.1%	9.5%
2000	-1.9%	-5.1%	-10.1%
2022	-1.9%	-5.3%	-38.5%
2008	-5.3%	-6.1%	-38.5%
1978	-4.7%	-6.2%	1.1%
1990	0.1%	-6.9%	-6.6%
1960	-0.7%	-7.1%	-3.0%
1970	0.7%	-7.6%	0.1%
2009	0.7%	-8.6%	23.5%
Down	17	30	14
Average	-0.9%	-3.7%	-1.1%
Min	-6.0%	-8.6%	-38.5%
Max	3.4%	-0.2%	26.9%

Source: Stock Trader's Almanac; Refinitiv

66% Early January Gain Predicts the Year's Action

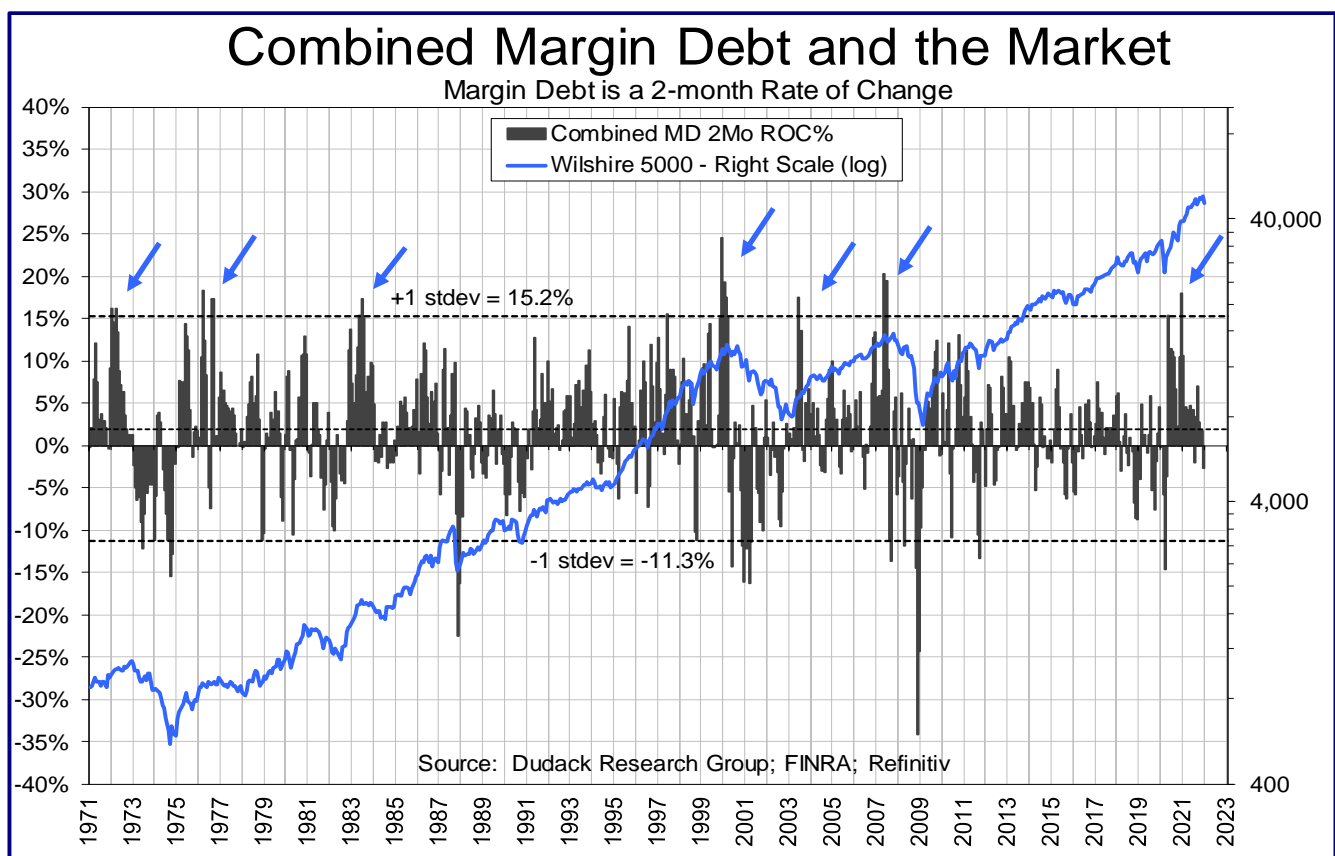
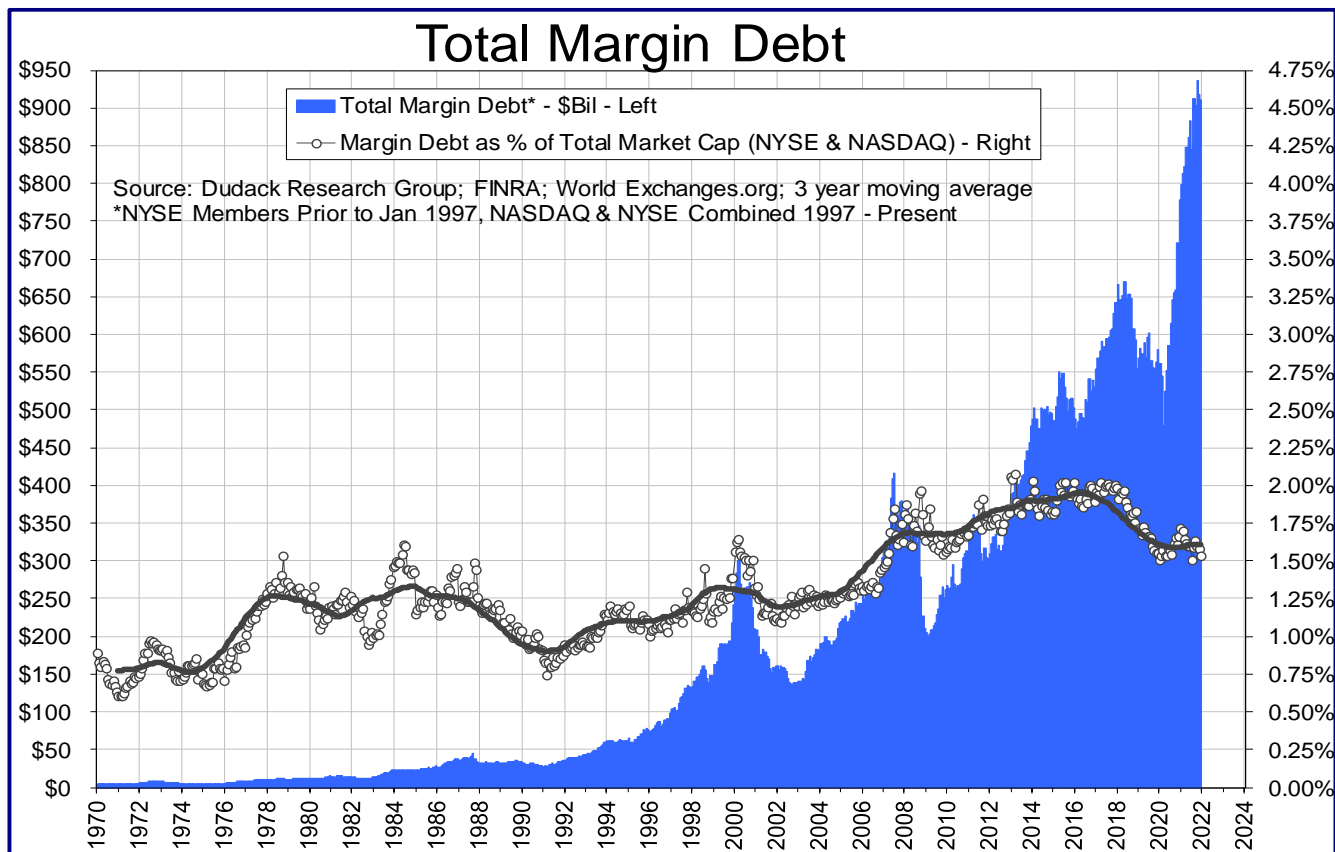
88% January Gain Predicts the Year's Action

65% Early January Loss Predicts the Year's Action

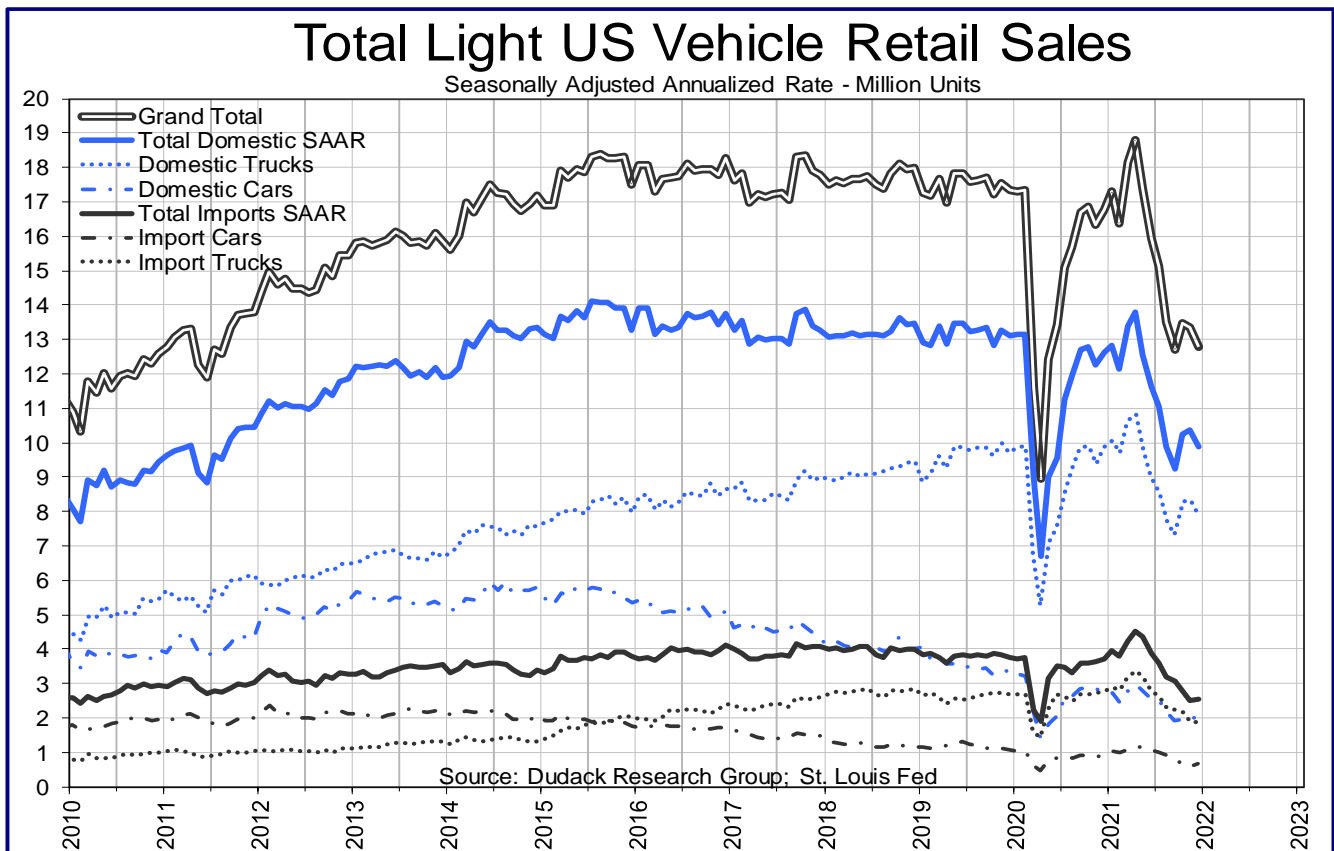
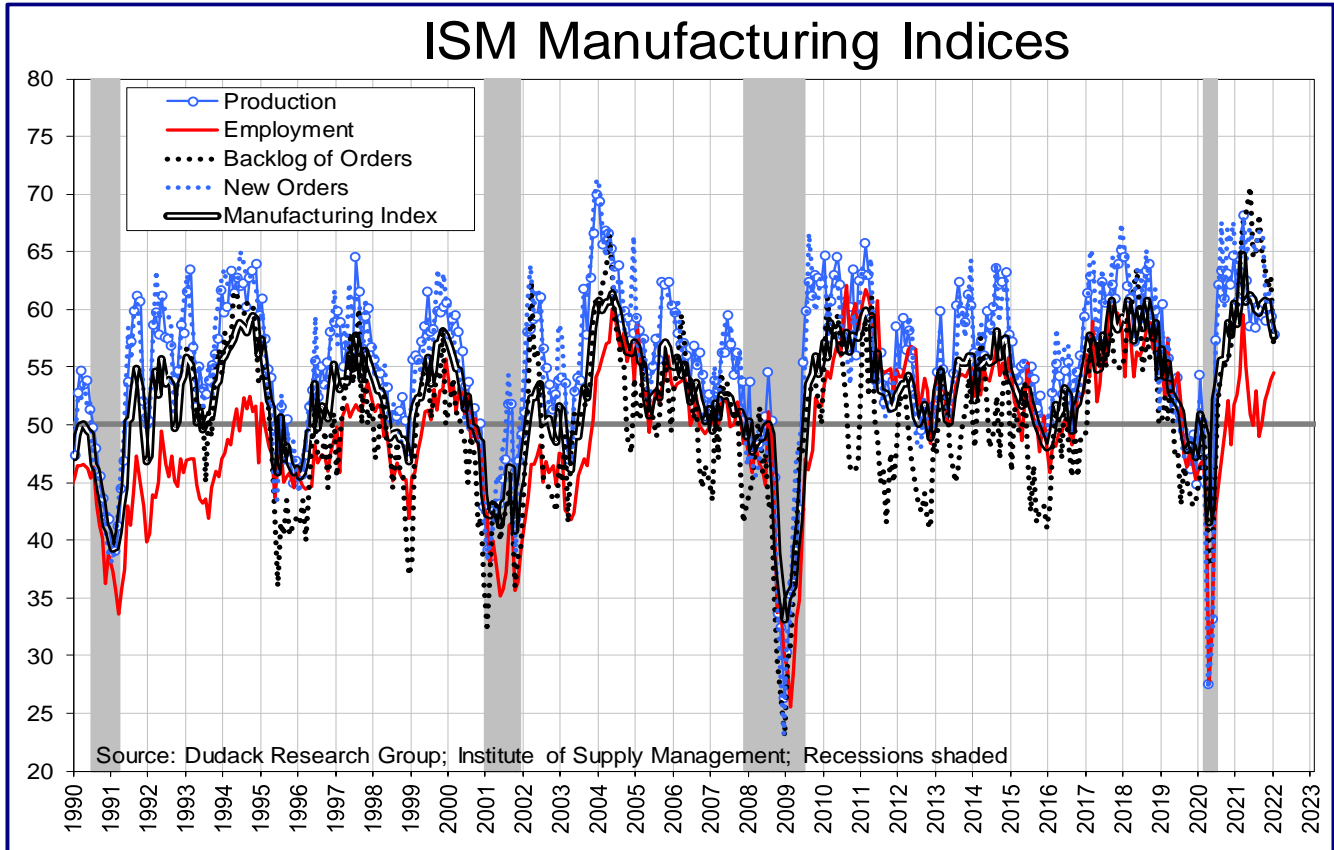
47% January Loss Predicts the Year's Action

Election years are bolded above; pre-election years are highlighted in blue

The good news is that there are few signs that the broad equity market is experiencing a classic bubble phenomenon. The key to a bubble is leverage and quickly growing leverage. While margin debt has grown decisively in the last 24 months it only briefly grew at a pace seen at most major tops. Note the arrows in the bottom chart. There was a brief warning in December 2020, but margin debt contracted in November and December.

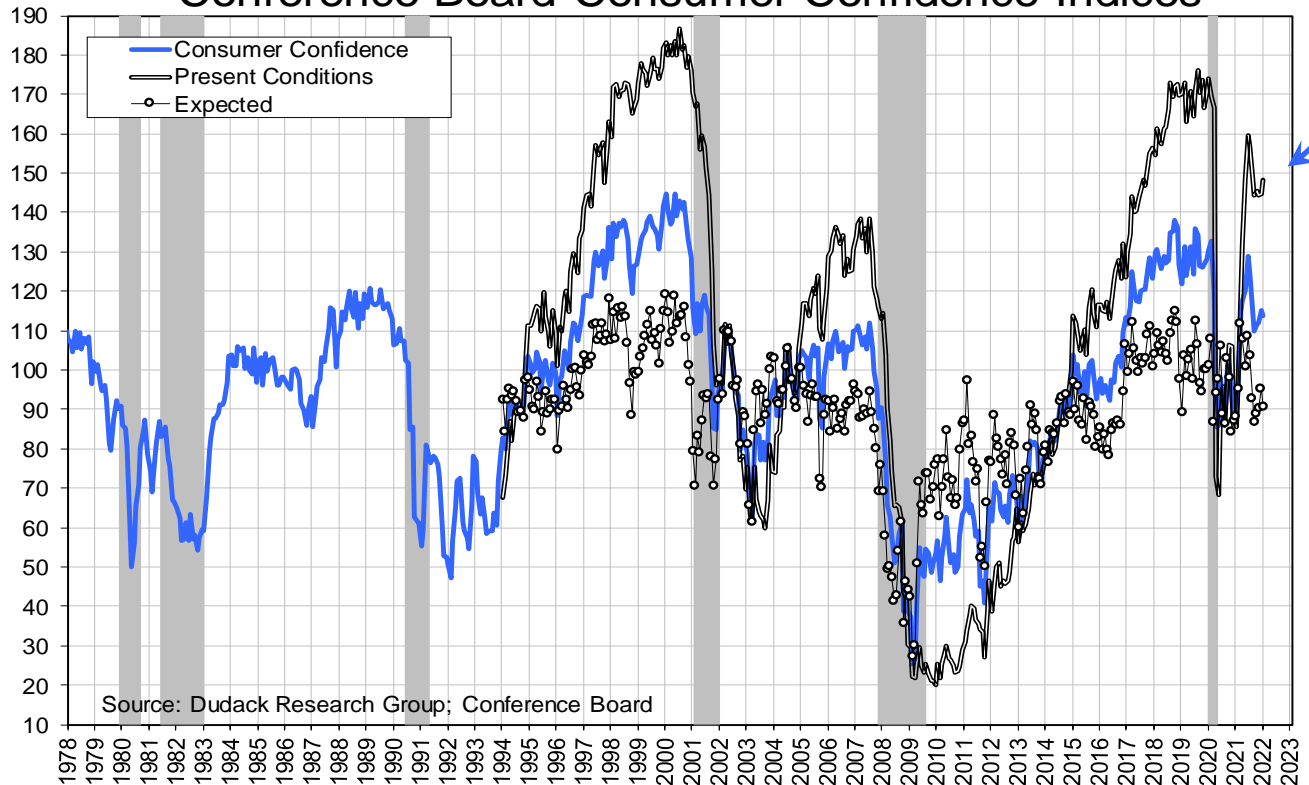


In January, the ISM manufacturing index fell for the third consecutive month, declining from 58.8 in December to 57.6; yet it remains comfortably above the neutral 50 level. Vehicle sales fell over 4% in December to an annualized rate of 12.45 million and are down a disturbing 32% from the April 2021 pace of 18.78 million units.

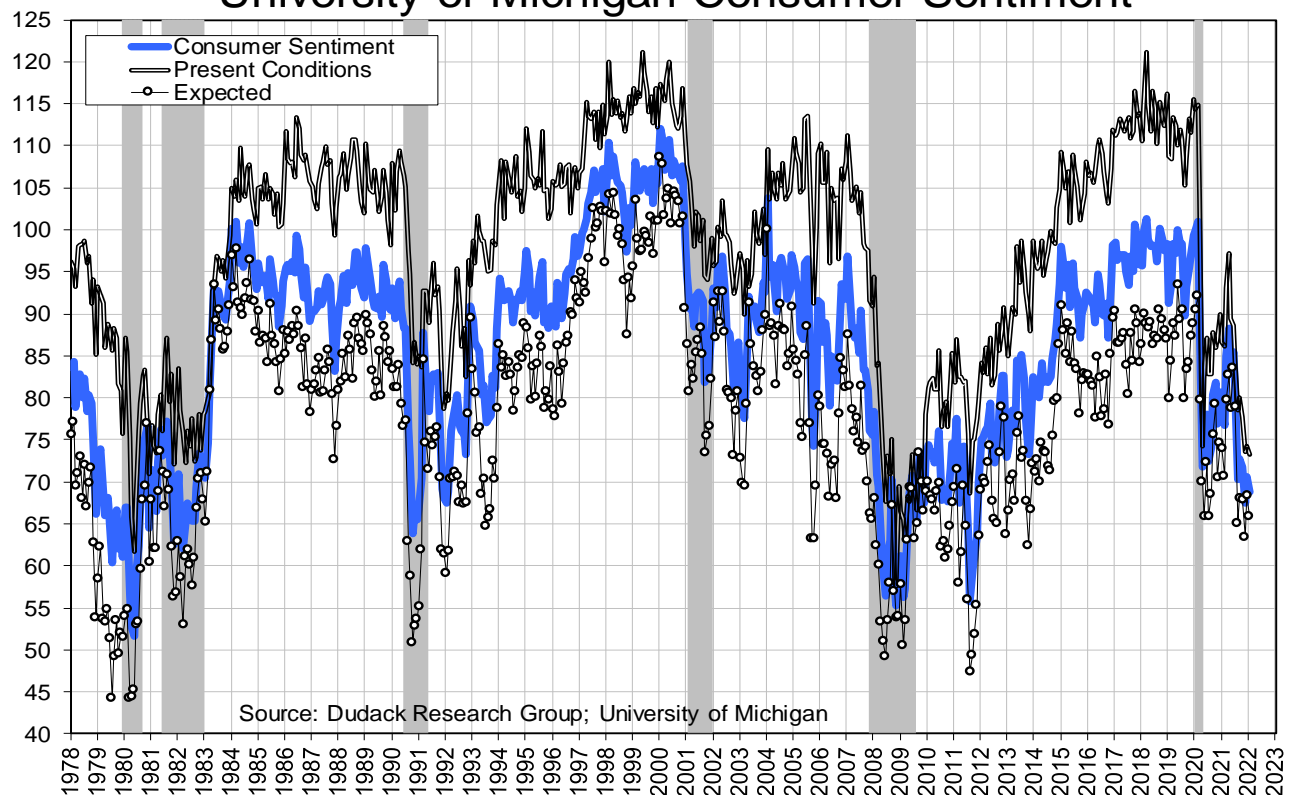


January's consumer sentiment indices were glum with the Conference Board Confidence index slipping from 115.2 to 113.8 and the University of Michigan headline reading falling from 70.6 to 68.8. The only uptick in sentiment was found in the Conference Board's present conditions index which moved up from 144.8 to 148.2.

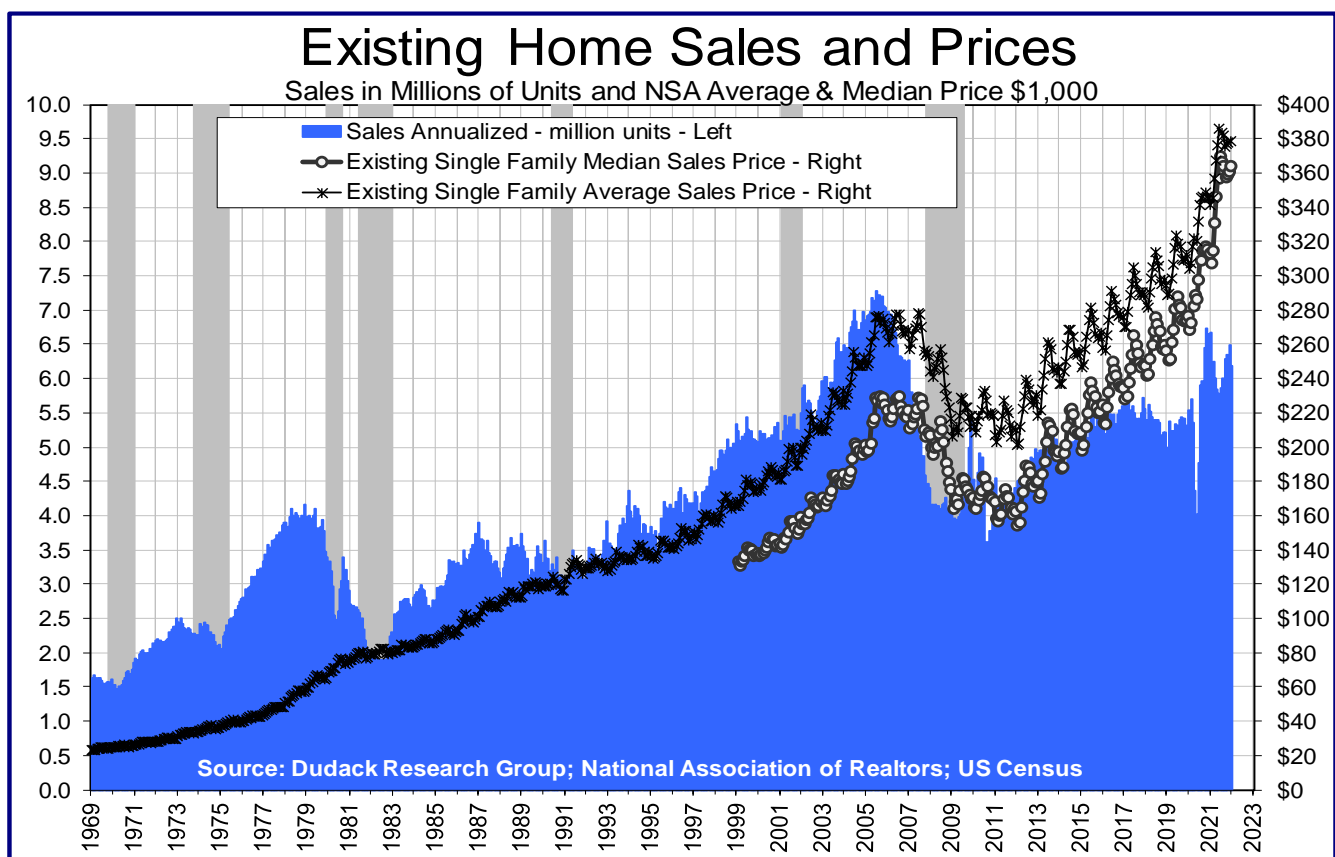
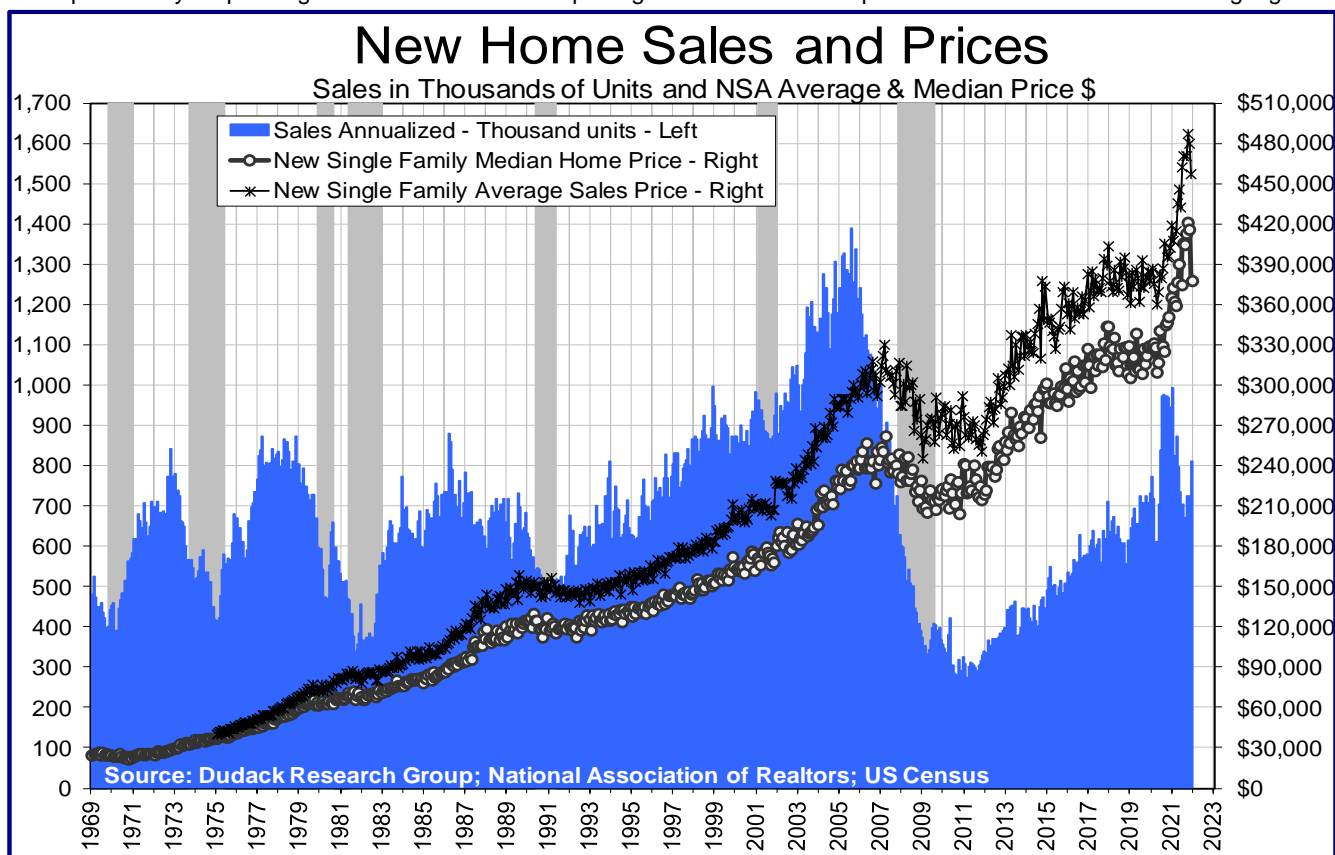
Conference Board Consumer Confidence Indices



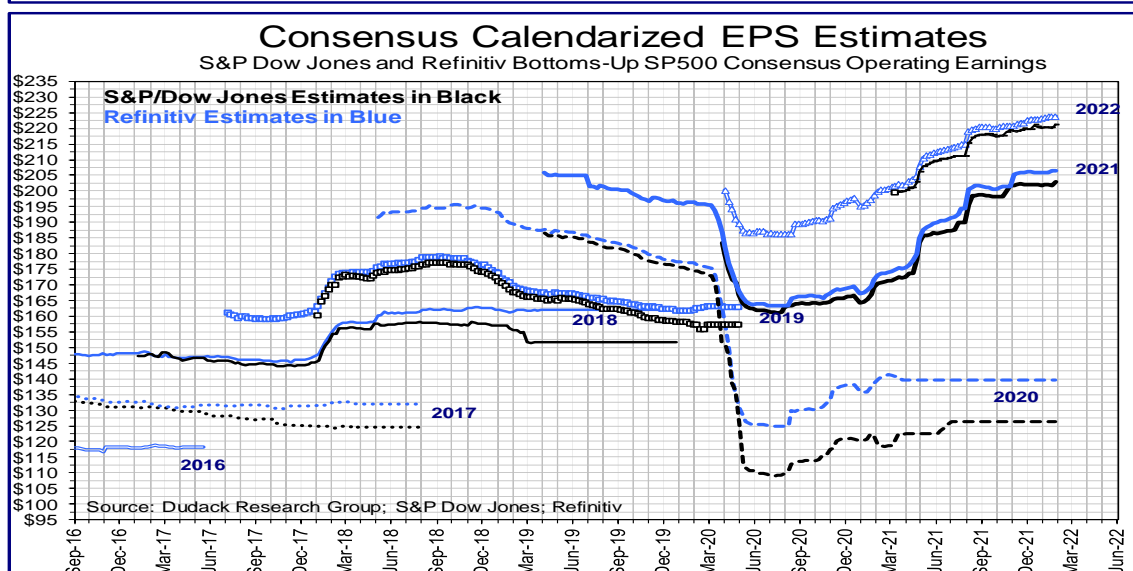
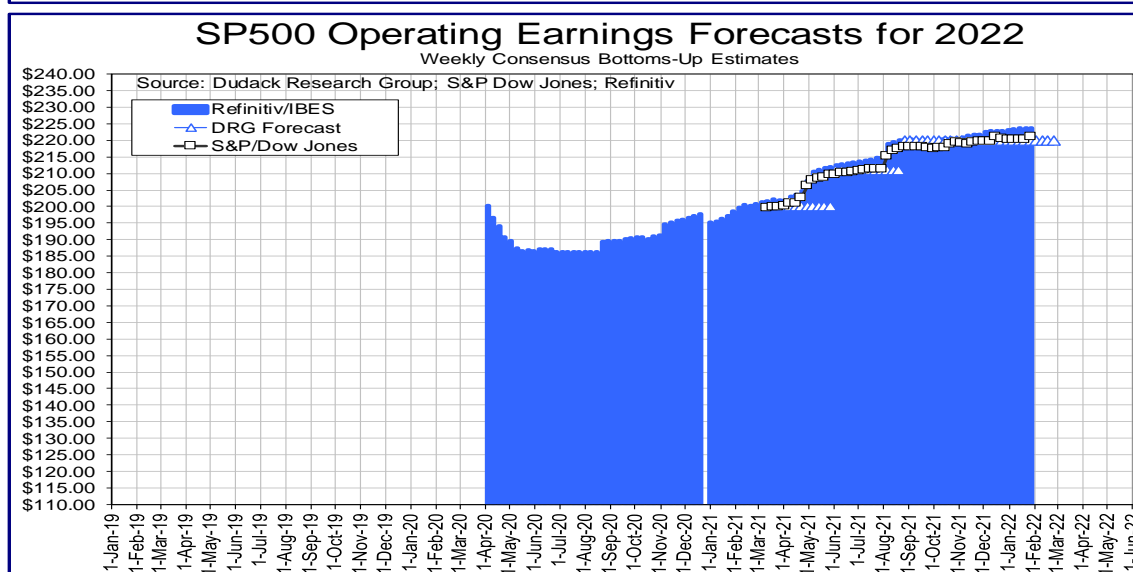
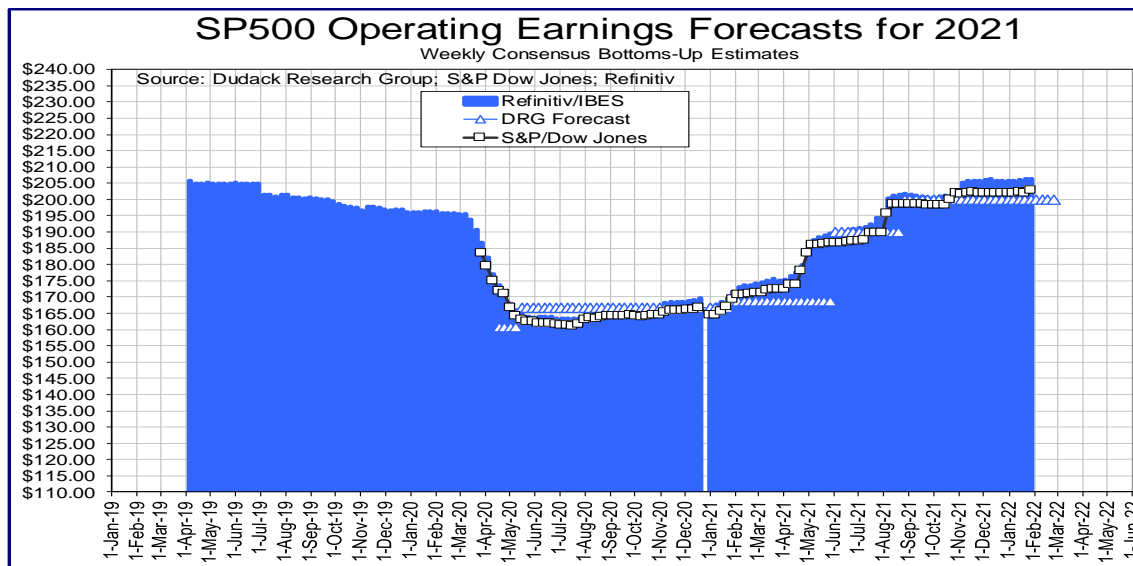
University of Michigan Consumer Sentiment



New home sales came in stronger than expected in December, increasing nearly 12% to 811,000 units. However, this followed a sharp decline in new single-family home sales in 2021. Existing home sales were more resilient last year but there are signs that in both data series that prices may be peaking. This would not be a surprise given that both home prices and interest rates are moving higher.

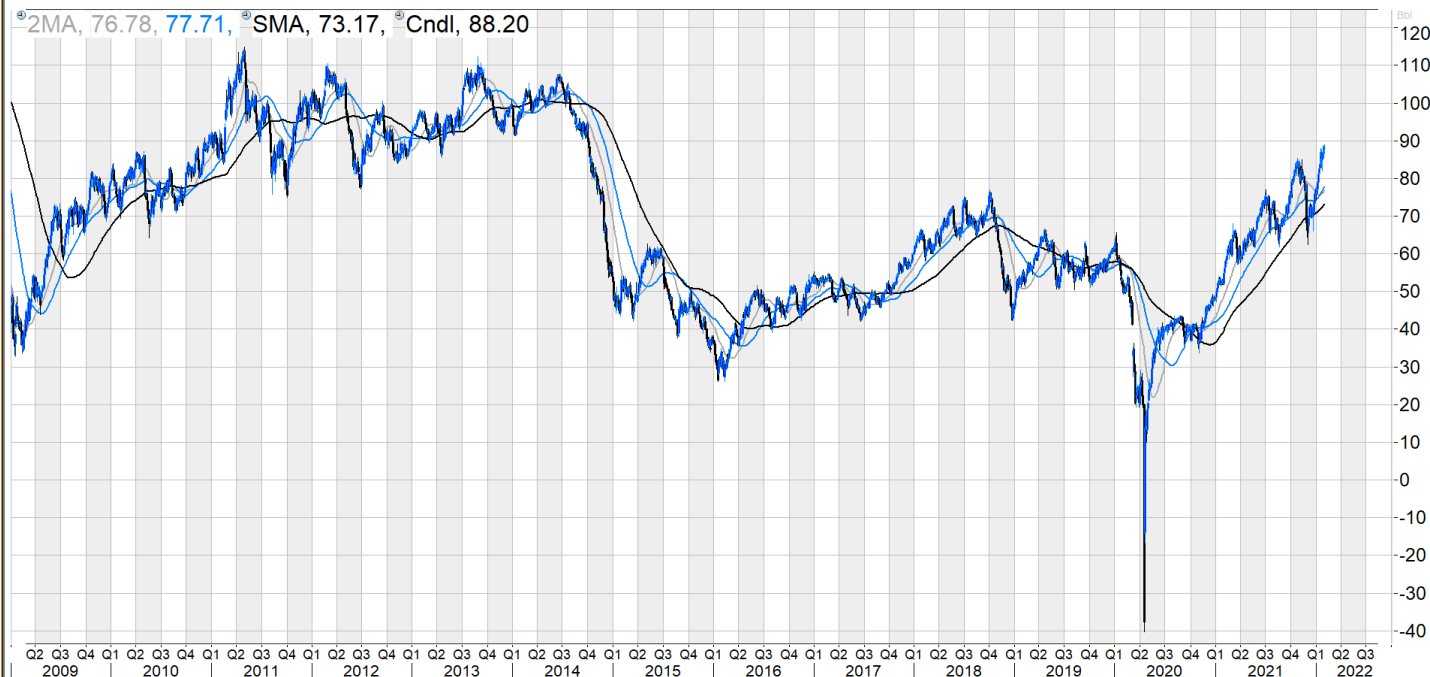


IBES Refinitiv and S&P Dow Jones earnings estimates for 2021 rose \$0.01 and \$1.00, respectively. The S&P Dow Jones estimate for 2022 also rose nearly a \$1 after last week's cut in estimates. The IBES and S&P Dow Jones earnings growth rates for 2022 are 8.4% YOY and 9.0% YOY, respectively. Our DRG estimate for 2022 is \$220, a 10% YOY increase but only because our 2021 estimate is lower than consensus.

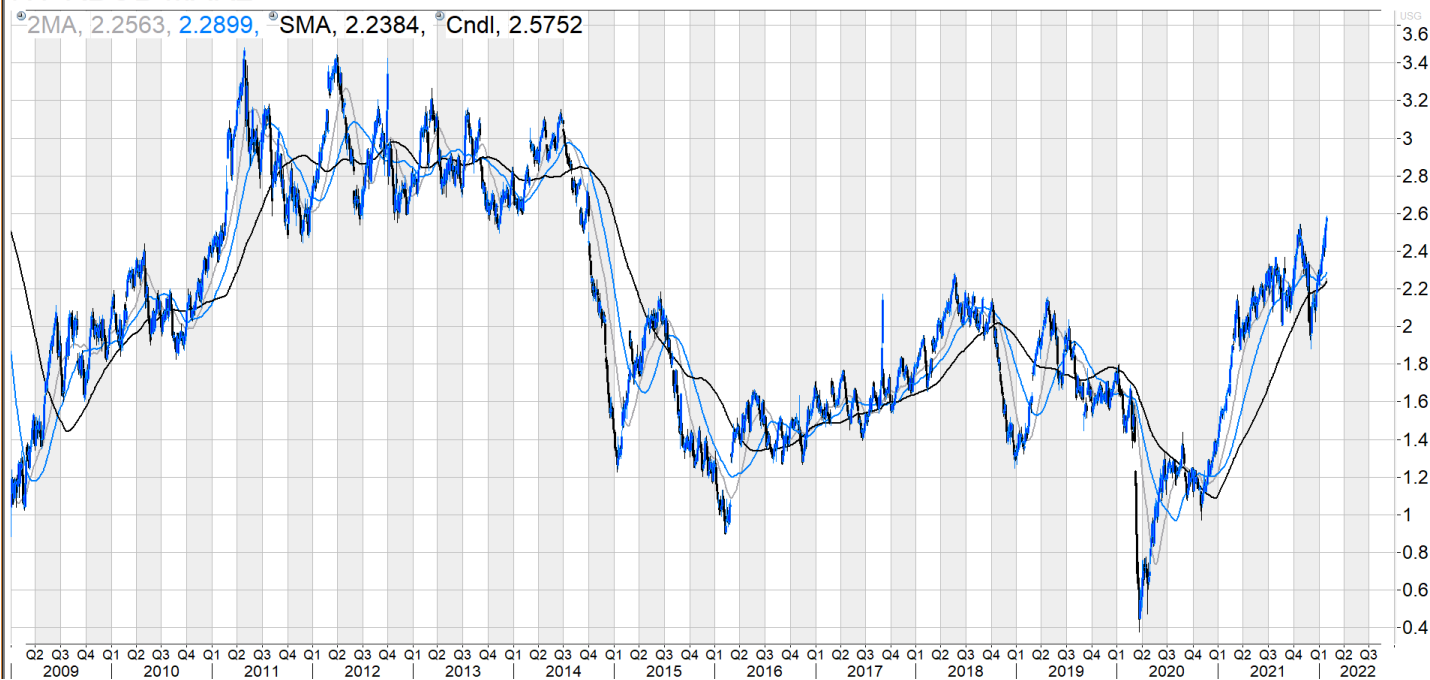


WTI crude and gasoline futures recently rose to 8-year highs, and this suggests higher prices ahead. In the WTI, this breakout creates upside targets of \$90, \$100, and \$110. This will make the Fed's job of controlling inflation more difficult in the months ahead.

LIGHT CRUDE MAR2

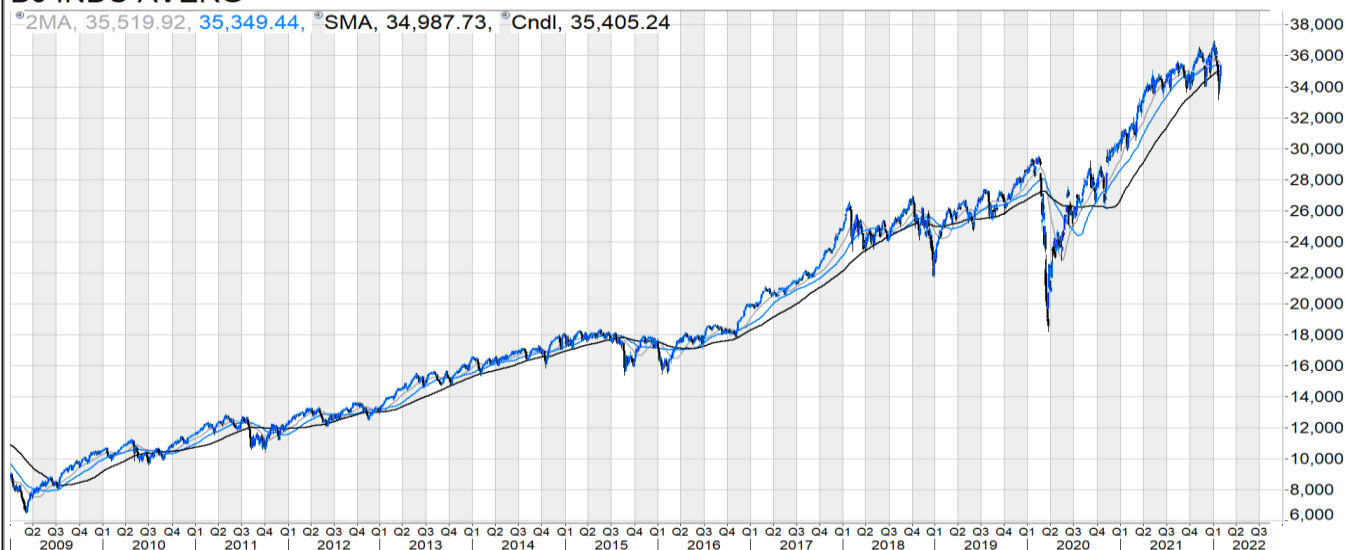


NY RBOB MAR2

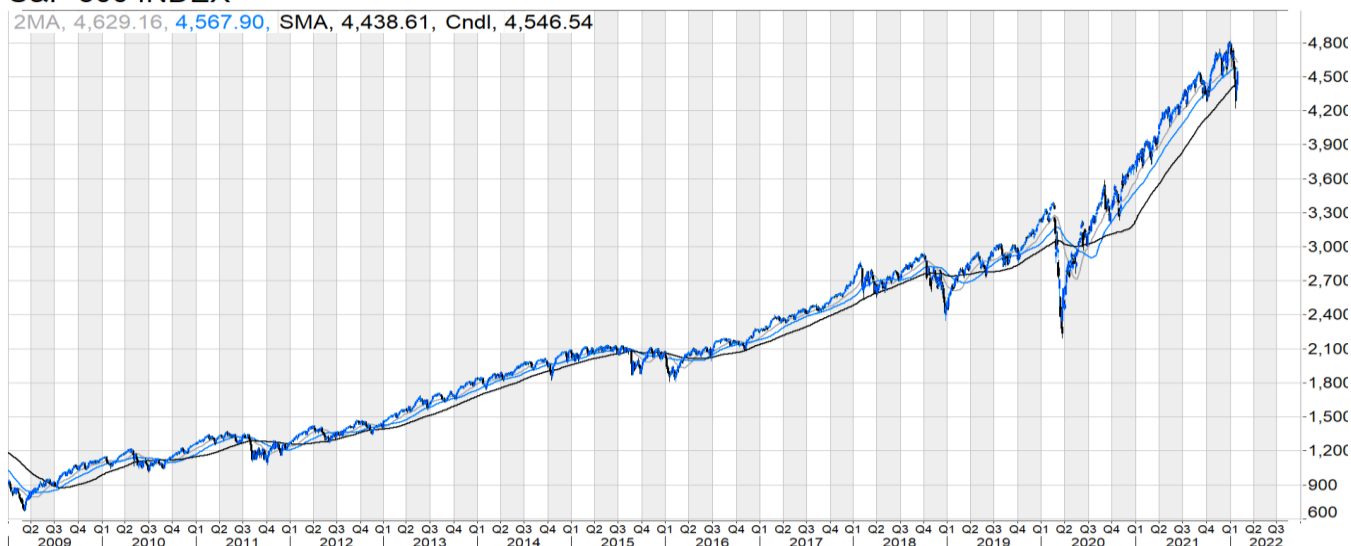


In terms of technical deterioration, from least to worst, we would order the indices as DJIA, SPX, and Nasdaq Composite. This is in line with the January declines of 3.3%, 5.3%, and 9.0%. But it is noteworthy that the DJ Transportation Average, the Nasdaq Composite and the Russell 2000 have already experienced declines of 10.3%, 11.3% and 17.0%, respectively, from their all-time highs.

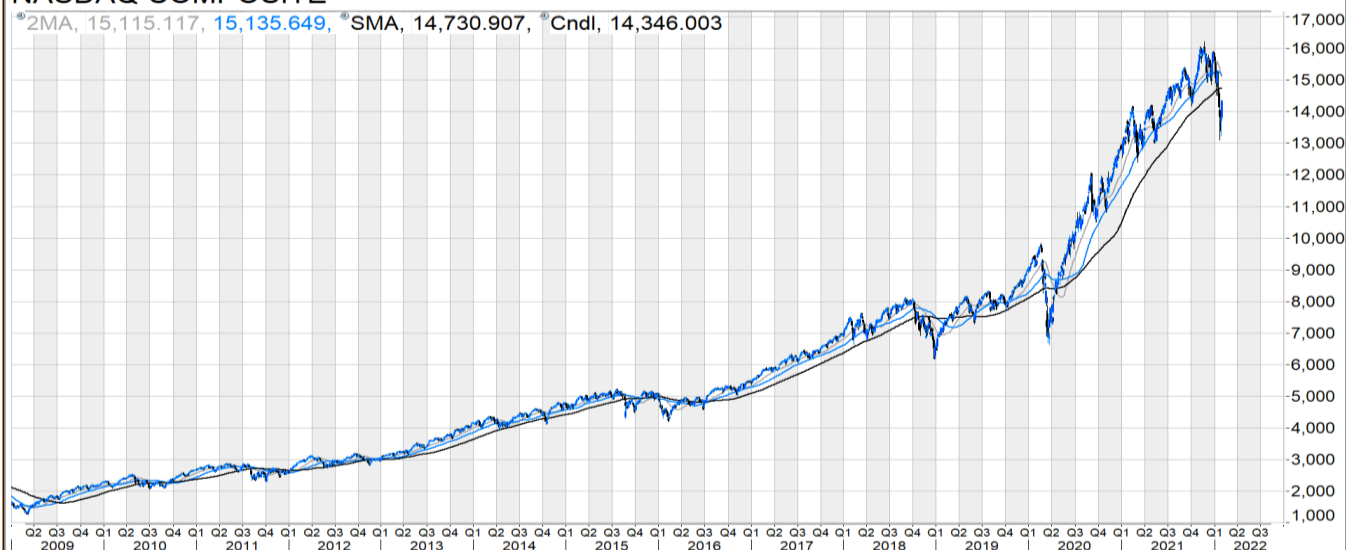
DJ INDU AVERG



S&P 500 INDEX



NASDAQ COMPOSITE



Source: Refinitiv

The Russell 2000 index has been our bellwether index for the market and as we noted in early January, its chart is bearish. The 50-day MA has broken below all other moving averages and more importantly, the RUT broke below the 8-month trading range that contained most of 2021 trading action. There is no support in the chart prior to 1700. We are including the chart of AMZN again this week because it continues to parallel the RUT. Note, AMZN is not in the RUT index.

RUSSELL 2000 IND



AMAZON COM



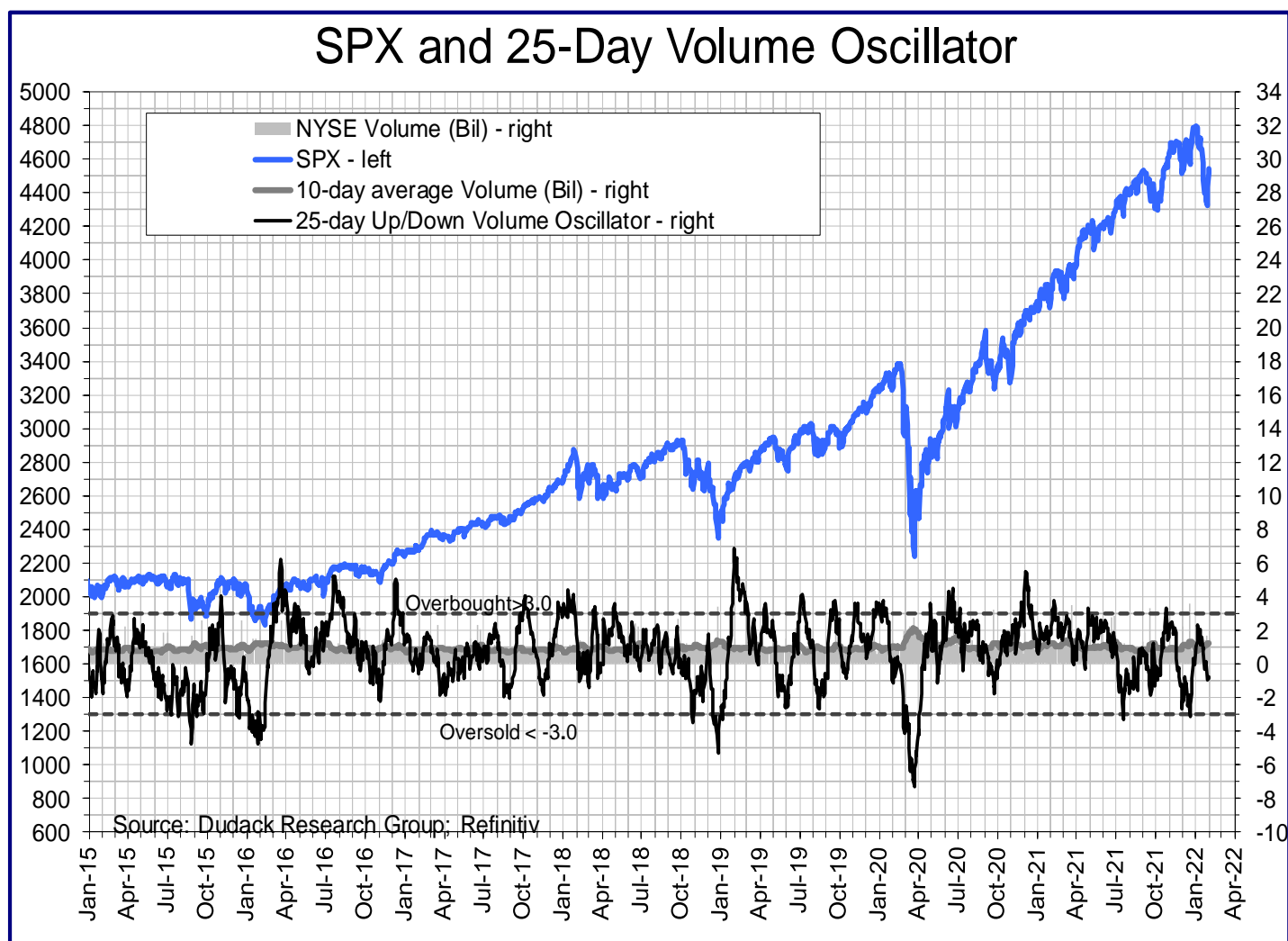
Source: Refinitiv

The 25-day up/down volume oscillator is negative 0.75 this week and below the midpoint of the neutral range.

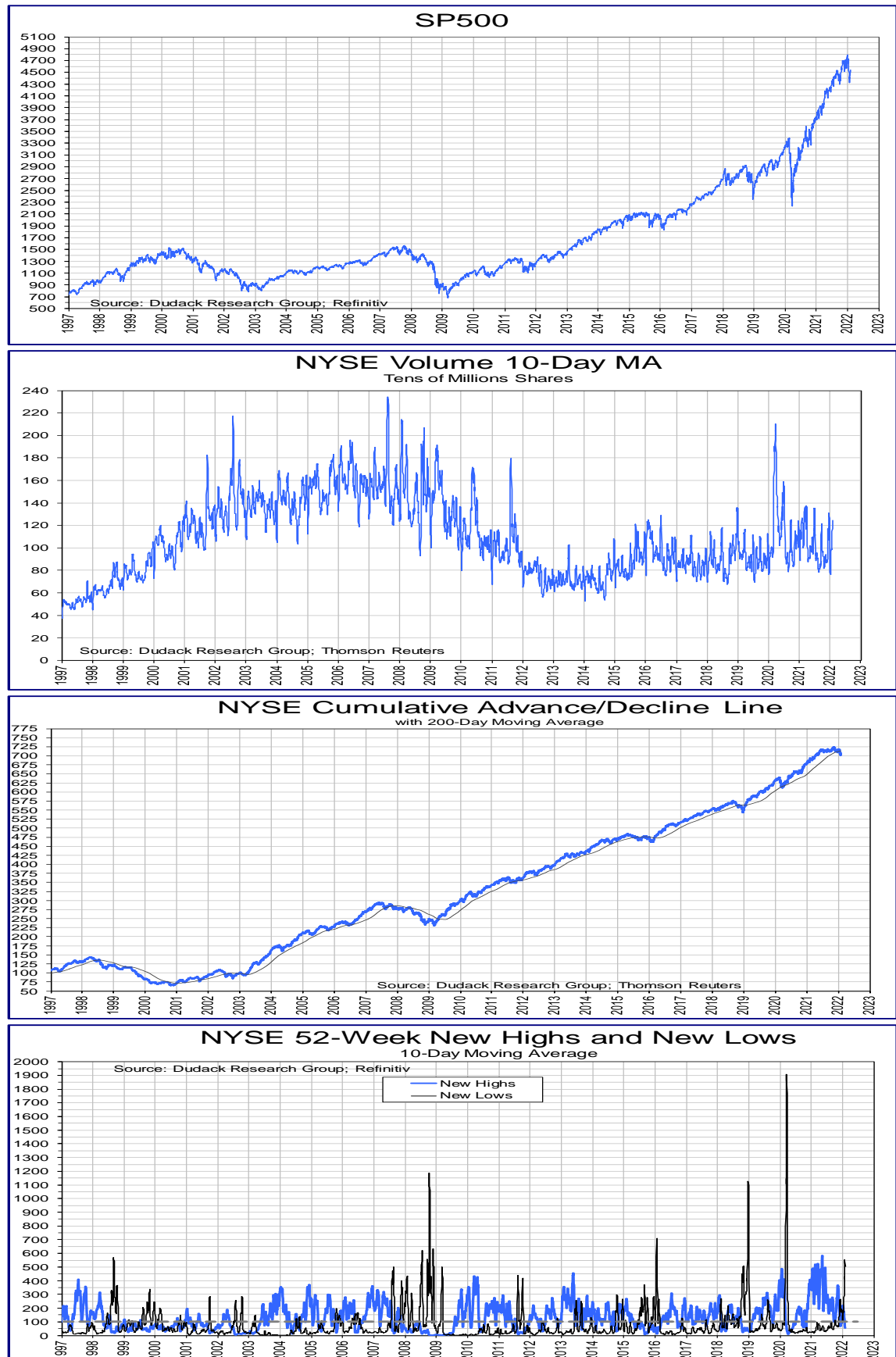
This oscillator had a one-day oversold reading on December 20, 2021, the first since the one-day oversold reading on July 19, 2021. Had this indicator recorded five consecutive days in oversold, it would have signaled a major shift in trend. A negative signal was avoided in July and December; but the oscillator did not confirm the recent highs in the indices.

The absence of overbought readings since February 2021, reveals that the advance has not been supported by solid or consistent buying pressure since February.

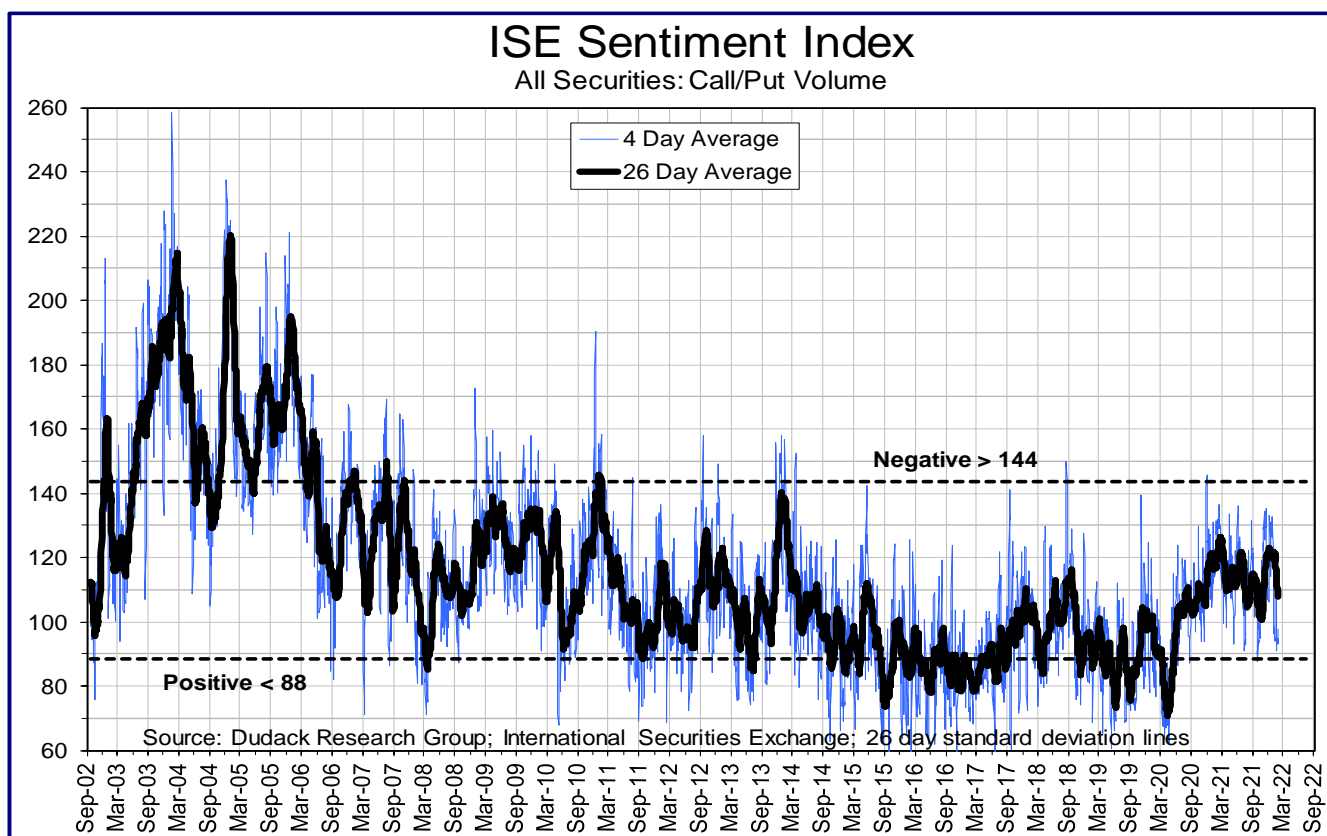
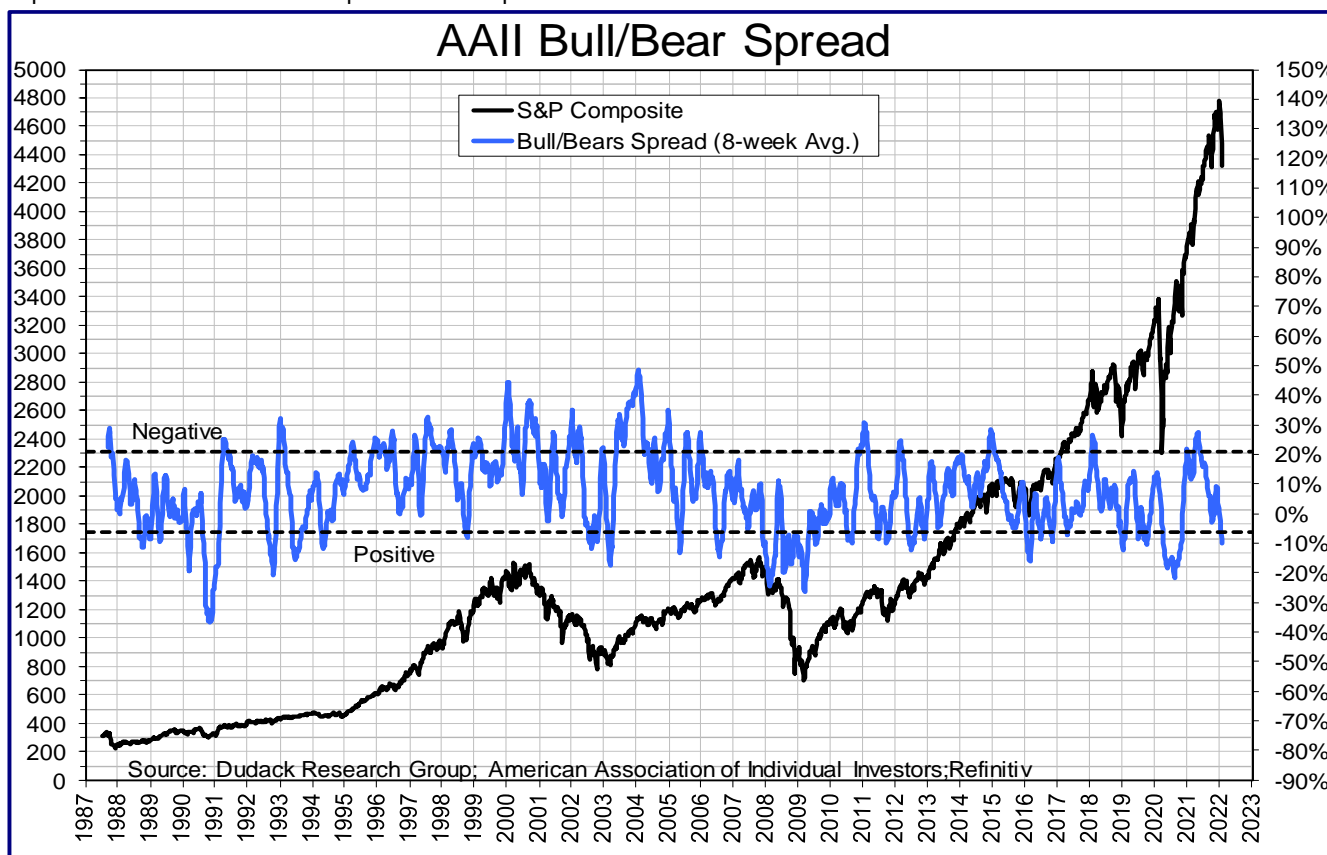
This 25-day up/down volume oscillator measures buying and selling momentum. New highs should be accompanied by strong and consistent buying pressure which results in long and sometimes extreme overbought readings. An absence of overbought readings at a new high reveals a weakness in the trend and is a sign of waning demand and/or investors selling into strength. Conversely, significant lows are often accompanied by panic selling. For example, an extreme oversold reading in this indicator, followed by a shallower oversold reading despite a new low in price indicates that selling pressure is fading and the lows are likely in place.



The 10-day average of daily new highs fell to 54 this week and daily new lows rose to 505. This combination is clearly negative, after tilting negative for several weeks. The A/D line's last record high was on November 8, 2021, and it is trading well below this level currently. Volume has not been rising on declines, which is a worrisome trend.



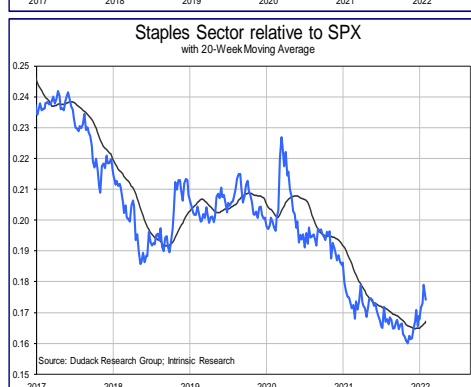
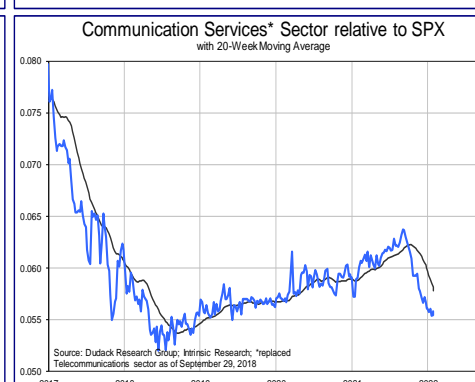
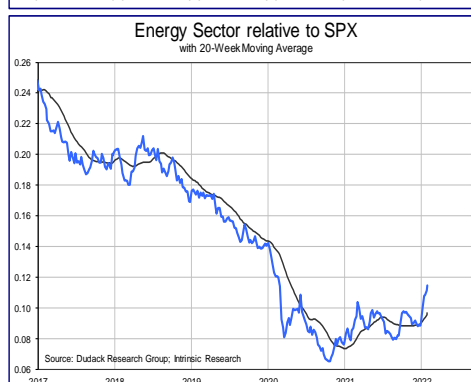
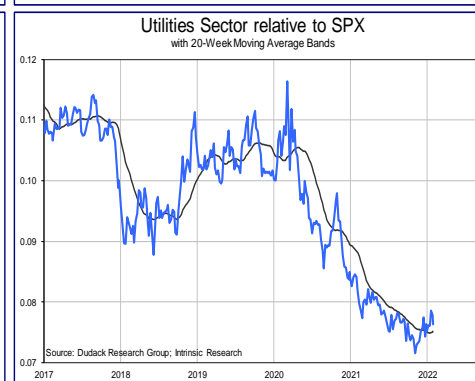
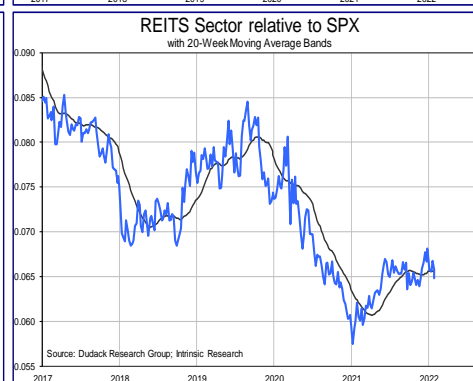
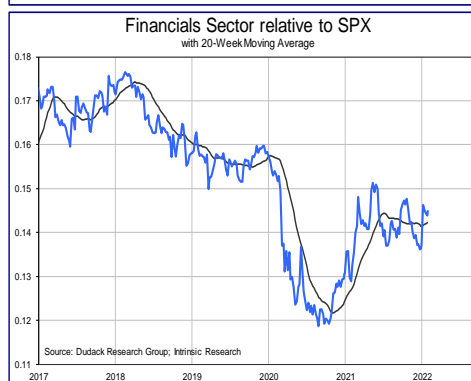
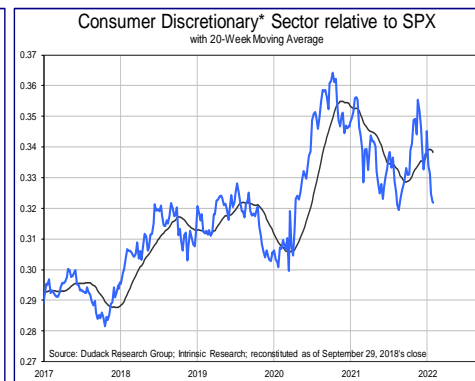
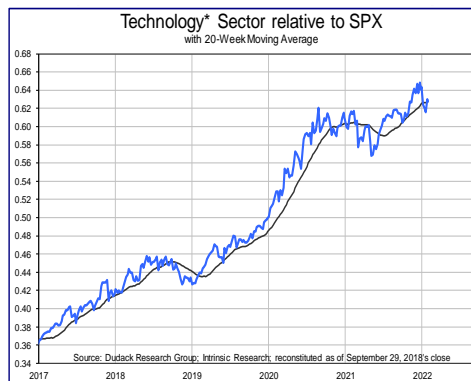
Bullish sentiment rose 2.2 points this week to 23.1% and is below the historical average of 38.0% for the 10th consecutive week. Bearish sentiment rose 6.2 points to 52.9%, is above the historical average of 30.5% for the 10th consecutive week and is the highest reading since April 2013. The AAI bull/bear spread index is positive for the second consecutive week. The ISE Sentiment index remains neutral.



SECTOR RELATIVE PERFORMANCE – RELATIVE OVER/UNDER/ PERFORMANCE TO S&P 500

DRG Recommended Sector Weights			
Overweight		Neutral	Underweight
Technology Financials Energy Staples		Healthcare REITS Communication Services Industrials	Consumer Discretionary Utilities Materials

12/15/2021: Energy upgraded from under to over weight; Staples upgraded from neutral to over weight; Healthcare and Industrials downgraded from over weight to neutral; Materials downgraded from neutral to under weight.



2022 Performance - Ranked	
SP500 Sector	% Change
S&P ENERGY	23.2%
S&P FINANCIAL	1.4%
S&P CONSUMER STAPLES	-1.6%
S&P INDUSTRIALS	-3.4%
S&P UTILITIES	-4.5%
S&P 500	-4.6%
S&P COMMUNICATIONS SERVICES	-5.2%
S&P MATERIALS	-5.3%
S&P HEALTH CARE	-6.6%
S&P INFORMATION TECH	-6.7%
S&P CONSUMER DISCRETIONARY	-9.1%
S&P REITS	-9.2%

Source: Dudack Research Group; Refinitiv; Monday closes

GLOBAL MARKETS AND COMMODITIES - RANKED BY 2022 TRADING PERFORMANCE

Index/EFT	Symbol	Price	5-Day%	20-Day%	QTD%	YTD%
iShares DJ US Oil Eqpt & Services ETF	IEZ	16.07	1.6%	24.7%	24.7%	24.7%
Energy Select Sector SPDR	XLE	68.27	4.5%	23.0%	23.0%	23.0%
Oil Future	CLc1	88.20	3.0%	17.3%	17.3%	17.3%
United States Oil Fund, LP	USO	62.53	2.6%	15.0%	15.0%	15.0%
iShares MSCI Brazil Capped ETF	EWZ	32.16	5.8%	14.6%	14.6%	14.6%
iShares China Large Cap ETF	FXI	38.19	1.3%	4.4%	4.4%	4.4%
iShares MSCI United Kingdom ETF	EWU	34.28	2.1%	3.4%	3.4%	3.4%
iShares MSCI Hong Kong ETF	EWK	23.84	-1.6%	2.8%	2.8%	2.8%
SPDR S&P Bank ETF	KBE	55.87	0.1%	2.4%	2.4%	2.4%
Financial Select Sector SPDR	XLF	39.60	2.9%	1.4%	1.4%	1.4%
Gold Future	GCc1	2234.10	0.2%	0.9%	0.9%	0.9%
iShares MSCI BRIC ETF	BKF	45.16	2.1%	0.9%	0.9%	0.9%
iShares MSCI Austria Capped ETF	EWO	25.67	4.0%	0.9%	0.9%	0.9%
iShares MSCI Canada ETF	EWC	38.68	3.0%	0.7%	0.7%	0.7%
iShares MSCI Emerg Mkts ETF	EEM	49.14	1.9%	0.6%	0.6%	0.6%
iShares MSCI India ETF	INDA.K	45.89	1.8%	0.1%	0.1%	0.1%
SPDR Communication Services ETF	XLC	56.15	0.0%	0.0%	0.0%	0.0%
Silver Future	SLc1	18.54	0.0%	0.0%	0.0%	0.0%
iShares MSCI Singapore ETF	EWS	21.39	1.6%	0.0%	0.0%	0.0%
Vanguard FTSE All-World ex-US ETF	VEU	60.36	2.0%	-1.5%	-1.5%	-1.5%
iShares MSCI Germany ETF	EWG	32.28	2.8%	-1.5%	-1.5%	-1.5%
Consumer Staples Select Sector SPDR	XLP	75.90	1.4%	-1.6%	-1.6%	-1.6%
SPDR Gold Trust	GLD	168.23	-2.5%	-1.6%	-1.6%	-1.6%
iShares Russell 1000 Value ETF	IWD	165.14	2.3%	-1.7%	-1.7%	-1.7%
iShares MSCI Malaysia ETF	EWM	24.57	2.0%	-1.8%	-1.8%	-1.8%
iShares MSCI Taiwan ETF	EWT	65.14	1.2%	-2.2%	-2.2%	-2.2%
DJIA	.DJI	35405.24	3.2%	-2.6%	-2.6%	-2.6%
SPDR DJIA ETF	DIA	353.94	3.2%	-2.6%	-2.6%	-2.6%
iShares Silver Trust	SLV	21.81	-5.0%	-2.6%	-2.6%	-2.6%
iShares MSCI EAFE ETF	EFA	76.54	1.9%	-2.7%	-2.7%	-2.7%
iShares MSCI Mexico Capped ETF	EWX	49.18	2.4%	-2.8%	-2.8%	-2.8%
Industrial Select Sector SPDR	XLI	102.13	1.3%	-3.5%	-3.5%	-3.5%
iShares iBoxx \$ Invest Grade Corp Bond	LQD	127.73	-0.3%	-3.6%	-3.6%	-3.6%
iShares MSCI Japan ETF	EWJ	64.10	-0.3%	-4.3%	-4.3%	-4.3%
iShares 20+ Year Treas Bond ETF	TLT	141.72	-0.4%	-4.4%	-4.4%	-4.4%
Utilities Select Sector SPDR	XLU	68.33	1.8%	-4.5%	-4.5%	-4.5%
SP500	.SPX	4546.54	4.4%	-4.6%	-4.6%	-4.6%
iShares Russell 2000 Value ETF	IWN	157.77	0.9%	-5.0%	-5.0%	-5.0%
iShares Russell 1000 ETF	IWB	251.22	4.4%	-5.0%	-5.0%	-5.0%
Materials Select Sector SPDR	XLB	85.75	2.9%	-5.4%	-5.4%	-5.4%
iShares US Telecomm ETF	IYZ	30.96	1.6%	-5.9%	-5.9%	-5.9%
iShares MSCI South Korea Capped ETF	EWY	72.98	1.3%	-6.3%	-6.3%	-6.3%
Technology Select Sector SPDR	XLK	162.39	7.2%	-6.6%	-6.6%	-6.6%
Health Care Select Sect SPDR	XLV	131.58	2.6%	-6.6%	-6.6%	-6.6%
iShares MSCI Australia ETF	EWA	23.14	-0.2%	-6.8%	-6.8%	-6.8%
Shanghai Composite	.SSEC	3361.44	-4.6%	-7.6%	-7.6%	-7.6%
NASDAQ 100	NDX	15019.68	6.2%	-8.0%	-8.0%	-8.0%
iShares Russell 1000 Growth ETF	IWG	281.23	6.5%	-8.0%	-8.0%	-8.0%
Nasdaq Composite Index Tracking Stock	ONEQ.O	55.91	5.9%	-8.2%	-8.2%	-8.2%
SPDR S&P Retail ETF	XRT	82.72	2.5%	-8.4%	-8.4%	-8.4%
iShares Russell 2000 ETF	IWM	203.36	2.3%	-8.6%	-8.6%	-8.6%
iShares US Real Estate ETF	IYR	105.99	0.9%	-8.7%	-8.7%	-8.7%
Consumer Discretionary Select Sector SPDR	XLY	186.07	3.7%	-9.0%	-9.0%	-9.0%
iShares Nasdaq Biotechnology ETF	IBB.O	134.25	5.2%	-12.0%	-12.0%	-12.0%
iShares Russell 2000 Growth ETF	IWO	257.08	3.8%	-12.3%	-12.3%	-12.3%
PowerShares Water Resources Portfolio	PHO	53.18	2.3%	-12.6%	-12.6%	-12.6%
SPDR Homebuilders ETF	XHB	74.44	0.9%	-13.2%	-13.2%	-13.2%
SPDR S&P Semiconductor ETF	XSD	206.29	6.3%	-15.2%	-15.2%	-15.2%

Outperformed SP500
Underperformed SP500

Source: Dudack Research Group; Thomson Reuters

Priced as of February 1, 2022

Blue shading represents non-US and yellow shading represents commodities

US Asset Allocation

	Benchmark	DRG %	Recommendation
Equities	60%	70%	Overweight
Treasury Bonds	30%	20%	Underweight
Cash	10%	10%	Neutral
	100%	100%	

Source: Dudack Research Group; raised equity and lowered cash 5% on November 9, 2016

DRG Earnings and Economic Forecasts

	S&P 500 Price	S&P Reported EPS**	S&P Operating EPS**	DRG Operating EPS Forecast	DRG EPS YOY %	Refinitiv Consensus Bottom-Up \$ EPS**	Refinitiv Consensus Bottom-Up EPS YOY%	S&P Op PE Ratio	S&P Divd Yield	GDP Annual Rate	GDP Profits post-tax w/ IVA & CC	YOY %
2004	1211.92	\$58.55	\$67.68	\$67.68	23.8%	\$67.10	20.9%	17.9X	1.8%	2.9%	\$977.30	20.3%
2005	1248.29	\$69.93	\$76.45	\$76.45	13.0%	\$76.28	13.7%	16.3X	1.8%	3.8%	\$1,065.30	9.0%
2006	1418.30	\$81.51	\$87.72	\$87.72	14.7%	\$88.18	15.6%	16.2X	1.8%	3.5%	\$1,173.10	10.1%
2007	1468.36	\$66.18	\$82.54	\$82.54	-5.9%	\$85.12	-3.5%	17.8X	1.8%	2.0%	\$1,083.50	-7.6%
2008	903.25	\$14.88	\$49.51	\$49.51	-40.0%	\$65.47	-23.1%	18.2X	2.5%	0.1%	\$976.00	-9.9%
2009	1115.10	\$50.97	\$56.86	\$56.86	14.8%	\$60.80	-7.1%	19.6X	2.6%	-2.6%	\$1,029.70	-9.8%
2010	1257.64	\$77.35	\$83.77	\$83.77	47.3%	\$85.28	40.3%	15.0X	1.9%	2.7%	\$1,182.60	14.8%
2011	1257.60	\$86.95	\$96.44	\$96.44	15.1%	\$97.82	14.7%	13.0X	2.0%	1.5%	\$1,456.20	23.1%
2012	1426.19	\$86.51	\$96.82	\$96.82	0.4%	\$103.80	6.1%	14.7X	2.1%	2.3%	\$1,528.70	5.0%
2013	1848.36	\$100.20	\$107.30	\$107.30	10.8%	\$109.68	5.7%	17.2X	2.0%	1.8%	\$1,662.50	8.8%
2014	2127.83	\$102.31	\$113.01	\$113.01	5.3%	\$118.78	8.3%	18.8X	2.2%	2.3%	\$1,647.90	-0.9%
2015	2043.94	\$86.53	\$100.45	\$100.45	-11.1%	\$118.20	-0.5%	20.3X	2.1%	2.7%	\$1,712.90	3.9%
2016	2238.83	\$94.55	\$106.26	\$96.82	-3.6%	\$118.10	-0.1%	21.1X	1.9%	1.7%	\$1,664.90	-2.8%
2017	2673.61	\$109.88	\$124.51	\$124.51	28.6%	\$132.00	11.8%	21.5X	1.8%	2.3%	\$1,633.90	-1.9%
2018	2506.85	\$132.39	\$151.60	\$151.60	21.8%	\$161.93	22.7%	16.5X	1.9%	2.9%	\$1,686.50	3.2%
2019	3230.78	\$139.47	\$157.12	\$157.12	3.6%	\$162.93	0.6%	20.6X	1.8%	2.3%	\$1,960.10	16.2%
2020	3756.07	\$94.14	\$122.38	\$122.38	-22.1%	\$139.72	-14.2%	30.7X	1.6%	-3.4%	\$1,951.80	-0.4%
2021E	-----	\$193.38	\$202.83	\$202.12	65.2%	\$206.42	47.7%	23.5X	1.3%	5.7%	\$1,834.70	-6.0%
2022E		\$213.95	\$221.09	\$220.00	8.8%	\$223.78	8.4%	20.6X	NA	NA	NA	NA
2015 1Q	2108.88	\$21.81	\$25.81	\$25.81	-5.5%	\$28.60	1.5%	18.9	2.0%	3.2%	\$1,713.10	9.5%
2015 2Q	2166.05	\$22.80	\$26.14	\$26.14	-10.9%	\$30.09	0.1%	20.0	2.0%	3.0%	\$1,683.70	-1.7%
2015 3Q	1920.03	\$23.22	\$25.44	\$25.44	-14.1%	\$29.99	-0.2%	18.4	2.2%	1.3%	\$1,673.20	-6.7%
2015 4Q	2043.94	\$18.70	\$23.06	\$23.06	-13.8%	\$29.52	-3.3%	20.3	2.1%	0.1%	\$1,589.70	-10.8%
2016 1Q	2059.74	\$21.72	\$23.97	\$23.97	-7.1%	\$26.96	-5.7%	20.9	2.1%	2.0%	\$1,649.00	-3.7%
2016 2Q	2098.86	\$23.28	\$25.70	\$25.70	-1.7%	\$29.61	-1.6%	21.4	2.1%	1.9%	\$1,624.30	-3.5%
2016 3Q	2168.27	\$25.39	\$28.69	\$28.69	12.8%	\$31.21	4.1%	21.4	2.1%	2.2%	\$1,621.30	-3.1%
2016 4Q	2238.83	\$24.16	\$27.90	\$27.90	21.0%	\$31.30	6.0%	21.1	2.0%	2.0%	\$1,641.00	3.2%
2017 1Q	2362.72	\$27.46	\$28.82	\$28.82	20.2%	\$30.90	14.6%	21.3	2.0%	2.3%	\$1,672.50	1.4%
2017 2Q	2423.41	\$27.01	\$30.51	\$30.51	18.7%	\$32.58	10.0%	20.9	1.9%	2.2%	\$1,693.90	4.3%
2017 3Q	2519.36	\$28.45	\$31.33	\$31.33	9.2%	\$33.45	7.2%	21.2	1.9%	3.2%	\$1,683.70	3.8%
2017 4Q	2673.61	\$26.96	\$33.85	\$33.85	21.3%	\$36.02	15.1%	21.5	1.8%	3.5%	\$1,696.00	3.4%
2018 1Q	2640.87	\$33.02	\$36.54	\$36.54	26.8%	\$38.07	23.2%	20.0	1.9%	2.5%	\$1,844.70	10.3%
2018 2Q	2718.37	\$34.05	\$38.65	\$38.65	26.7%	\$41.00	25.8%	19.4	1.9%	3.5%	\$1,833.80	8.3%
2018 3Q	2913.98	\$36.36	\$41.38	\$41.38	32.1%	\$42.66	27.5%	19.4	1.8%	2.9%	\$1,873.90	11.3%
2018 4Q	2506.85	\$28.96	\$35.03	\$35.03	3.5%	\$41.18	14.3%	16.5	2.1%	1.1%	\$1,867.10	10.1%
2019 1Q	2834.40	\$35.02	\$37.99	\$37.99	4.0%	\$39.15	2.8%	18.5	1.9%	3.1%	\$1,791.40	-2.9%
2019 2Q	2941.76	\$34.93	\$40.14	\$40.14	3.9%	\$41.31	0.8%	19.0	1.9%	2.0%	\$1,857.50	1.3%
2019 3Q	2976.74	\$33.99	\$39.81	\$39.81	-3.8%	\$42.14	-1.2%	19.5	1.9%	2.6%	\$1,963.40	4.8%
2019 4Q	3230.78	\$35.53	\$39.18	\$39.18	11.8%	\$41.98	1.9%	20.6	1.8%	2.4%	\$1,998.90	7.1%
2020 1Q	2584.59	\$11.88	\$19.50	\$19.50	-48.7%	\$33.13	-15.4%	18.6	2.3%	-5.1%	\$1,924.00	7.4%
2020 2Q	3100.29	\$17.83	\$26.79	\$26.79	-33.3%	\$27.98	-32.3%	24.7	1.9%	-31.2%	\$1,701.50	-8.4%
2020 3Q	3363.00	\$32.98	\$37.90	\$37.90	-4.8%	\$38.69	-8.2%	27.3	1.7%	33.8%	\$2,135.10	8.7%
2020 4Q	3756.07	\$31.45	\$38.19	\$38.19	-2.5%	\$42.58	1.4%	30.7	1.6%	4.5%	\$2,111.90	5.7%
2021 1Q	3972.89	\$45.95	\$47.41	\$47.41	143.1%	\$49.13	48.3%	26.4	1.5%	6.3%	\$2,207.70	14.7%
2021 2Q	4297.50	\$48.39	\$52.03	\$52.03	94.2%	\$52.58	87.9%	24.5	1.3%	6.7%	\$2,440.60	43.4%
2021 3QP	4307.54	\$49.59	\$52.02	\$52.02	37.3%	\$53.72	38.8%	22.7	1.4%	2.3%	\$2,522.70	18.2%
2021 4QE	4766.18	\$49.45	\$51.37	\$50.66	32.7%	\$51.91	21.9%	23.5	1.3%	6.9%	NA	NA
2022 1QE*	4546.54	\$49.30	\$51.29	\$55.00	16.0%	\$51.89	5.6%	22.0	NA	NA	NA	NA
2022 2QE		\$52.59	\$54.68	\$55.00	5.7%	\$55.24	5.1%	21.7	NA	NA	NA	NA
2022 3QE		\$54.62	\$57.26	\$55.00	5.7%	\$57.91	7.8%	21.2	NA	NA	NA	NA
2022 4QE		\$57.43	\$57.86	\$55.00	8.6%	\$58.53	12.8%	20.6	NA	NA	NA	NA

Source: DRG; S&P Dow Jones; Refinitiv Consensus estimates; **quarterly EPS may not sum to official CY estimates

2/1/2022

Regulation AC Analyst Certification

I, Gail Dudack, hereby certify that all the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly related to the specific views contained in this report.

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RATINGS DEFINITIONS:

Sectors/Industries:

“Overweight”: Overweight relative to S&P Index weighting

“Neutral”: Neutral relative to S&P Index weighting

“Underweight”: Underweight relative to S&P Index weighting

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